

Message Text

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INFO AMEMBASSY BONN

C O N F I D E N T I A L OECD PARIS 04618

LIMDIS

E.O. 11652: XGDS

TAGS: EFIN, US,FRG

SUBJECT: PENDING GERMAN MEASURES ON OPEC INVESTMENT

1. UNDER SECRETARY ROBINSON AND BOEKER MET BILATERALLY WITH MRS. STEEG TO GET A READING ON PENDING GERMAN ACTION ON INWARD INVESTMENT FROM OPEC COUNTRIES. MRS. STEEG INDICATED FRG WOULD SHORTLY INSTITUTE A "VOLUNTARY" REPORTING SYSTEM UNDER WHICH GERMAN BANKS AND FIRMS WOULD GIVE PRIOR NOTIFICATION OF ANY MAJOR NEW INVESTMENTS OR ACQUISITIONS BY OPEC COUNTRY INVESTORS. FOR NOW FRG IS TELLING BUNDESTAG IT IS CONSIDERING A BILL TO STRENGTHEN THE GOVERNMENT'S AUTHORITY TO BLOCK PARTICULAR INVESTMENTS AND, THEREFORE, BUNDESTAG NEED DO NOTHING. ACCORDING TO MRS. STEEG THE DRAFT BILL NOW BEING PREPARED BY THE FRG WOULD GIVE IT BROAD AUTHORITY TO BLOCK ANY INVESTMENTS DEEMED UNDESIRABLE IN TERMS OF THE ECONOMIC WELFARE AND NATIONAL SECURITY OF THE FEDERAL REPUBLIC. FORMALLY, OR INFORMALLY, SYSTEM WOULD NOT APPLY TO INVESTMENT FROM OECD COUNTRIES. STEEG SAYS GERMANS HAD CONSIDERED LIMITING COVERAGE OF BLOCKING AUTHORITY TO SENSITIVE INDUSTRIES OR PARTICULAR TYPES OF INVESTMENT BUT
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CONCLUDED BLANKET AUTHORITY BOTH MORE FLEXIBLE AND

CONVINCING.

2. MRS. STEEG UNDERLINED THE URGENCY FOR THE US AND FRG TO STAY IN CLOSE TOUCH ON TREATMENT OF INWARD INVESTMENT. SHE NOTED THAT THE FRG WAS UNDER DAILY BUNDESTAG AND MEDIA PRESSURE TO TAKE ACTION AGAINST OPEC INVESTMENT. SHE NOTED THAT THE FRG DID NOT WANT TO MAKE A 180 DEGREE TURN IN POLICY AND STILL BELIEVES IN FREE CAPITAL MOVEMENTS. BUT THE FRG NOW HAS TO SET THE BOUNDARIES FOR OPEC INVESTMENT OPPORTUNITIES IN THE FRG. IN APPROACHING THE PROBLEMS OF BOUNDARIES, HOWEVER, FRG MINISTERS HAD FOUND IT IMPOSSIBLE TO FRAME EX ANTE CRITERIA FOR THE INDUSTRIES OR TYPES OF INVESTMENT IT NEEDS TO SCREEN.

3. ACCORDING TO STEEG, THE FRG CABINET HAS DECIDED ON THE FOLLOWING THREE-TRACK APPROACH, THE FIRST TWO OF WHICH ECONOMICS MINISTER FRIDERICHs WILL IMPLEMENT IMMEDIATELY. FIRST, THE FRG WILL INSTITUTE A "VOLUNTARY" PRIOR-REPORTING SYSTEM UNDER WHICH FRG BANKS AND INDUSTRIES WILL REPORT TO THE FRG ANY SIGNIFICANT NEW INVESTMENTS OR ACQUISITIONS BY OPEC INVESTORS. (IT IS NOT YET CLEAR HOW INVESTMENT FROM OECD COUNTRIES WILL BE EXCLUDED FROM THIS SYSTEM--WHETHER EXPLICITLY, BY REFERENCE TO EXISTING INTERNATIONAL COMMITMENTS OR BY INFORMAL GUIDANCE TO BANKS AND FIRMS.) SECOND, MINISTER FRIDERICHs WILL BE CONSULTING WITH MAJOR OPEC COUNTRIES TO INFORM THEM THAT IT WOULD ALSO BE IN THEIR INTEREST TO CONSULT BILATERALLY WITH THE FRG BEFORE ANY MAJOR INVESTMENTS. THIRD, WHILE STALLING BUNDESTAG LEGISLATIVE EFFORTS, THE FRG WILL PREPARE A GOVERNMENT BILL GIVING IT THE BROADEST AUTHORITY TO BLOCK SPECIFIC FOREIGN INVESTMENTS ON THE BASIS OF THE VERY GENERAL CRITERIA OF COMPATIBILITY WITH FRG ECONOMIC WELFARE AND NATIONAL SECURITY. STEEG INDICATED THAT THIS BILL MAY NOT BE SUBMITTED TO THE BUNDESTAG FOR SEVERAL MONTHS. TURNER

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